

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0948-01
Bill No.: HB 277
Subject: Taxation and Revenue - Sales and Use; Motor Fuel
Type: Original
Date: February 12, 2013

Bill Summary: This proposal would exempt motor fuel used in watercraft in this state from the motor fuel tax and from sales and use tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	(Less than \$516,667)	(Less than \$600,000)	(Less than \$600,000)

FISCAL ANALYSIS

ASSUMPTION

Sections 142.815 and 144.30 RSMo - Motor Fuel and Sales Tax Exemptions

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative impact on their organization in excess of \$100,000 per year, as Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. Exempting motor fuel used in watercraft in this state from tax would reduce sales tax collected and reduce revenue to MDC. MDC officials deferred to the Department of Revenue for an estimate of the amount of sales and use tax.

Officials from the **Department of Natural Resources (DNR)** noted that this proposal would exempt motor fuel used in watercraft in the state from the motor fuel tax and from state sales tax. Since Parks and Soils Sales Tax Funds are derived from a one-tenth of one percent sales and use tax pursuant to the Missouri Constitution, any additional sales tax exemption would reduce the amount of funding available in the Parks & Soils Sales Tax Funds. DNR officials did not provide an estimate of the amount of sales and use tax.

Officials from the **Department of Transportation (MODOT)** deferred to the Department of Revenue for an estimate of the fiscal impact from this proposal.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

This proposal would exempt motor fuel used in watercraft from the motor fuel excise tax, and the exemption could reduce motor fuel revenues to the extent consumers are not already claiming refunds for such tax from the DOR.

Officials from the **Department of Revenue (DOR)** assume this proposal would not result in any fiscal impact to their organization.

DOR officials noted that Section 142.815, RSMo, would exempt motor fuel delivered to any marina within this state that sells such fuel solely for use in a watercraft, and is not accessible to other motor vehicles, from the fuel tax.

Any motor fuel distributor that delivered motor fuel to any marina in this state for use solely in watercraft could claim the exemption, and any motor fuel customer who purchased motor fuel for use in a watercraft at a location other than a marina could claim the exemption by filing a claim for refund of the fuel tax.

DOR officials also noted that Section 144.030, RSMO, would create a sales tax exemption for sales of motor fuel used in a watercraft.

DOR officials stated they currently distribute slightly more than \$500,000 per year to counties for unclaimed gallonage, and that current refunds of motor fuel tax subject to sales tax are less than \$10,000 per year.

Oversight notes that under current provisions, the Department of Revenue refunds motor fuel tax paid on fuel for watercraft but collects sales tax on that fuel. When fuel is sold to a marina and the motor fuel tax is not refunded, that unclaimed motor fuel tax is distributed to counties. The proposal would make all of that fuel exempt from motor fuel tax and sales tax.

For fiscal note purposes, Oversight will indicate a sales tax revenue reduction of less than \$100,000 for the General Revenue Fund, for other state funds which receive general sales tax revenues, and for local governments. Oversight will also indicate a motor fuel tax revenue reduction of \$500,000 per year for counties, and \$416,667 for ten months in FY 2014.

ASSUMPTION (continued)

Oversight assumes that the State Road Fund would have no impact since the proposal changes the disposition of motor fuel tax that is not currently used for road purposes.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax			
Sections 142.815 and 144.30 RSMo - Motor Fuel and Sales Tax Exemptions	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax			
Sections 142.815 and 144.30 RSMo - Motor Fuel and Sales Tax Exemptions	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> - sales tax			
Sections 142.815 and 144.30 RSMo - Motor Fuel and Sales Tax Exemptions	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
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SCHOOL DISTRICT TRUST FUND

<u>Revenue reduction - sales tax</u> Sections 142.815 and 144.30 RSMo - Motor Fuel and Sales Tax Exemptions	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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LOCAL GOVERNMENTS

<u>Revenue reduction - Motor fuel tax</u> Section 142.815 RSMO - Unclaimed Gallage Distribution	(\$416,667)	(\$500,000)	(\$500,000)
<u>Revenue reduction - Sales tax</u> Sections 142.815 and 144.30 RSMo - Motor Fuel and Sales Tax Exemptions	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(Less than <u>\$516,667</u>)	(Less than <u>\$600,000</u>)	(Less than <u>\$600,000</u>)

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which operate watercraft, or operate a marina and sell motor fuel for use in watercraft.

FISCAL DESCRIPTION


This proposal would authorize a motor fuel tax exemption for motor fuel used exclusively for watercraft in this state. Currently, a taxpayer must pay the tax with the purchase of the fuel and then request a refund of the motor fuel tax from the Department of Revenue within one year of purchase. Any person who purchases motor fuel for use in a watercraft at a location other than a Missouri marina may claim the exemption by submitting a refund claim for the fuel tax paid to the Department of Revenue.

The proposal would also eliminate the current provision which makes sales of motor fuel which is not subject to motor fuel tax, subject to state sales tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
Department of Transportation



Ross Strope
Acting Director
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